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# HOWELL TOWN

## Compiled Financial Statements

June 30, 2005

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**Davis  
& Bott**

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Brigham City, Utah 84302  
435-723-5224

**Howell Town**  
**June 30, 2005**

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The Mayor and Town Council  
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Howell, Utah 84316

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Howell, Utah, as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

The management's discussion and analysis and budgetary comparison information, on pages 2 through 8 and page 28, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

We are not independent with respect to Howell Town.



DAVIS & BOTT

Certified Public Accountants, L.C.

Brigham City, Utah  
November 14, 2005

**Howell Town  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

As management of Howell, Utah, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2005. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

**FINANCIAL HIGHLIGHTS**

- A. The assets of the Town exceeded its liabilities at June 30, 2005, by \$311,158. Of this amount, unrestricted net assets of \$191,073 may be used to meet the Town's ongoing obligations to citizens and creditors.
- B. The total net assets increased by \$14,995 from the prior year. The increase primary resulted from a reduction in road expenditures.
- C. As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$154,800, an increase of \$101,874 in comparison with the prior year. The amount of \$134,584 is unreserved and available for spending.
- D. At the end of the current fiscal year, unreserved fund balance for the general fund was \$134,584, or 299 percent of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, highways and streets, and culture and recreation. The business-type activities of the Town consist of culinary water.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Town maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. The general fund is considered a major fund.

The Town adopts a one-year budget for its governmental fund. Budgetary comparison statements have been provided.

**Proprietary Funds.** The Town maintains only one type of proprietary fund; namely, an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the water utility fund.

**Notes to the financial statements.** The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At June 30, 2005, the Town's assets exceeded liabilities by \$311,158. Of the Town's net assets, 30 percent reflects its investment in capital assets net of related debt. Capital assets are used to provide services to citizens and they are not available for future spending. Of the remaining net assets, 9 percent represents reserved funds and 61 percent represents unreserved funds.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Howell Town's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Noncapital assets	\$ 172,921	\$ 127,295	\$ 54,189	\$ 129,196	\$ 227,110	\$ 256,491
Capital assets	<u>5,986</u>	<u>8,981</u>	<u>211,075</u>	<u>221,970</u>	<u>217,061</u>	<u>230,951</u>
Total assets	<u>178,907</u>	<u>136,276</u>	<u>265,264</u>	<u>351,166</u>	<u>444,171</u>	<u>487,442</u>
Other liabilities	6,930	4,820	7,357	8,491	14,287	13,311
Long-term liabilities	<u>-</u>	<u>52,693</u>	<u>118,726</u>	<u>125,275</u>	<u>118,726</u>	<u>177,968</u>
Total liabilities	<u>6,930</u>	<u>57,513</u>	<u>126,083</u>	<u>133,766</u>	<u>133,013</u>	<u>191,279</u>
Net assets:						
Investment in capital assets, net of related debt	5,986	8,981	85,800	90,295	91,786	99,276
Restricted	28,299	-	-	-	28,299	-
Unrestricted	<u>137,692</u>	<u>69,782</u>	<u>53,381</u>	<u>127,105</u>	<u>191,073</u>	<u>196,887</u>
Total net assets	<u>\$ 171,977</u>	<u>\$ 78,763</u>	<u>\$ 139,181</u>	<u>\$ 217,400</u>	<u>\$ 311,158</u>	<u>\$ 296,163</u>

The balance of unrestricted net assets of \$191,073 may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive net asset balances in all categories, both for the government as a whole, as well as for its combined governmental and business-type activities.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

**Howell Town's Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,892	\$ 2,865	\$ 28,913	\$ 34,860	\$ 30,805	\$ 37,725
Operating grants and contributions	39,248	52,703	-	-	39,248	52,703
General revenues:						
Property taxes	2,115	2,862	-	-	2,115	2,862
Other taxes	17,255	15,244	-	-	17,255	15,244
Other	3,400	847	1,437	1,960	4,837	2,807
<b>Total revenues</b>	<b>63,910</b>	<b>74,521</b>	<b>30,350</b>	<b>36,820</b>	<b>94,260</b>	<b>111,341</b>
<b>Expenses:</b>						
General government	20,504	23,894	-	-	20,504	23,894
Highways and streets	25,682	56,987	-	-	25,682	56,987
Culture and recreation	1,747	2,444	-	-	1,747	2,444
Water utility	-	-	31,332	34,155	31,332	34,155
<b>Total expenses</b>	<b>47,933</b>	<b>83,325</b>	<b>31,332</b>	<b>34,155</b>	<b>79,265</b>	<b>117,480</b>
<b>Increase (decrease) in net assets</b>	<b>15,977</b>	<b>(8,804)</b>	<b>(982)</b>	<b>2,665</b>	<b>14,995</b>	<b>(6,139)</b>
Net assets - beginning	78,763	87,567	217,400	214,735	296,163	302,302
Prior period adjustment	77,237	-	(77,237)	-	-	-
<b>Net assets - end</b>	<b>\$ 171,977</b>	<b>\$ 78,763</b>	<b>\$ 139,181</b>	<b>\$ 217,400</b>	<b>\$ 311,158</b>	<b>\$ 296,163</b>

**Governmental and Business-Type Activities.** Governmental activities increased the Town's net assets by \$15,977. When combined with the \$982 decrease in net assets from business-type activities, overall net assets increased by \$14,995 or 5 percent.

See Accountant's Report



**Howell Town  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2005**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Government Funds.** The purpose of the Town's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Town's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$134,584, which comprises 87 percent of the total fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved general fund balance represents 299 percent of total general fund expenditures. The fund balance of the Town's general fund increased by \$101,874 during the current fiscal year. This increase was mainly due to a prior period adjustment re-allocating the pooled cash in the checking account between general and proprietary.

The water utility fund's net assets decreased by \$982. This decrease was anticipated.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The original submitted budget for fiscal year 2005 was not modified and, therefore, represents the final budget for the Town.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town's investment in capital assets for its governmental and business-type activities at June 30, 2005, amounted to \$217,061 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, equipment, roads and similar infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$13,890, a decrease of 33 percent for governmental activities and a decrease of 5 percent for business-type activities.

*See Accountant's Report*

**Howell Town**  
**Management's Discussion and Analysis (Continued)**  
**For the Year Ended June 30, 2005**

The decrease in governmental capital assets was due to accumulated depreciation as required by GASB 34.

**Howell Town's Capital Assets**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Buildings and improvements	\$ -	\$ -	\$211,075	\$221,970	\$211,075	\$221,970
Equipment	<u>5,986</u>	<u>8,981</u>	<u>-</u>	<u>-</u>	<u>5,986</u>	<u>8,981</u>
Net capital assets	<u>\$5,986</u>	<u>\$8,981</u>	<u>\$211,075</u>	<u>\$221,970</u>	<u>\$217,061</u>	<u>\$230,951</u>

Additional information on the Town's capital assets can be found in Note 3 on pages 24 and 25 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town had \$125,275 in outstanding revenue bonds.

**Howell Town's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue bonds	\$ -	\$ -	\$ 125,275	\$ 131,675	\$ 125,275	\$ 131,675
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,275</u>	<u>\$ 131,675</u>	<u>\$ 125,275</u>	<u>\$ 131,675</u>

Total long-term debt decreased by \$6,400 for the year.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Howell Town anticipates extending the Cemetery from the current one-third acre to an additional one-third to two-thirds acre because only three plots currently remain available. In addition, the Town will be adding water lines and grass for the Cemetery when it is extended.

The Town was awarded a contract from U.S. Postal Service and will be constructing a building for postal operations.

The Town did not experience any rate changes during the year.

*See Accountant's Report*

**Howell Town**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$149,774	\$ 62,144	\$211,918
Accounts receivable - net	-	2,045	2,045
Property taxes receivable	1,956	-	1,956
Sales tax receivable	3,108	-	3,108
B&C road allotment receivable	8,083	-	8,083
Interfund receivable (payable)	10,000	(10,000)	-
Capital assets, net of accumulated depreciation			
Buildings and improvements	-	211,075	211,075
Equipment	<u>5,986</u>	<u>-</u>	<u>5,986</u>
Total assets	<u>178,907</u>	<u>265,264</u>	<u>444,171</u>
LIABILITIES			
Accounts payable and accrued liabilities	4,974	808	5,782
Deferred revenue	1,956	-	1,956
Current portion of long-term debt	-	6,549	6,549
Note payable	<u>-</u>	<u>118,726</u>	<u>118,726</u>
Total liabilities	<u>6,930</u>	<u>126,083</u>	<u>133,013</u>
NET ASSETS			
Invested in capital assets, net of related debt	5,986	85,800	91,786
Restricted - B&C roads	28,299	-	28,299
Unrestricted	<u>137,692</u>	<u>53,381</u>	<u>191,073</u>
Total net assets	<u>\$171,977</u>	<u>\$139,181</u>	<u>\$311,158</u>

*See accompanying notes and Accountants' Report*

# **Howell Town** **Statement of Activities** **For the Year Ended June 30, 2005**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental						
activities:						
General government	\$ 20,504	\$ 1,892	\$ -	\$ -	\$ (18,612)	\$ (18,612)
Culture and	1,747		200		(1,547)	(1,547)
recreation	25,682	-	39,048	-	13,366	13,366
Highways and streets	47,933	1,892	39,248	-	(6,793)	(6,793)
Business-type						
activities:						
Water utility	31,332	28,913	-	-	-	(2,419)
Total primary government activities	\$ 79,265	\$ 30,805	\$ 39,248	\$ -	(6,793)	(9,212)
General revenues:						
Taxes:						
Property taxes					2,115	2,115
General sales and use taxes					17,255	17,255
Unrestricted investment earnings					3,400	4,837
Total general revenues					22,770	24,207
Change in net assets					15,977	14,995
Net assets - beginning					78,763	296,163
Prior period adjustment					77,237	-
Net assets - ending					\$ 171,977	\$ 311,158

See accompanying notes and Accountants' Report

**Howell Town  
Balance Sheet  
June 30, 2005**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 149,774
Receivables (net)	
Property tax	1,956
Sales tax	3,108
B&C road fund	8,083
Interfund receivable	<u>10,000</u>
 Total assets	 <u>\$ 172,921</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 4,974
Deferred revenue	<u>13,147</u>
 Total liabilities	 <u>18,121</u>
Fund balances:	
Reserved for:	
B&C roads	20,216
Unreserved	<u>134,584</u>
 Total fund balances	 <u>154,800</u>
 Total liabilities and fund balances	 <u>\$ 172,921</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2005**

Total fund balances - governmental fund types	\$ 154,800
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,986
Revenues not considered available are deferred in the funds. These include \$3,108 in sales and use tax tax and \$8,083 in B&C road fund allocation.	<u>11,191</u>
Net assets of government activities	<u>\$ 171,977</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Assets**  
**June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 24,637
Governmental funds report capital outlays as expenditures. However, in the statement of activities the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(2,994)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(5,666)</u>
Change in net assets of governmental activities	<u>\$ 15,977</u>

*See accompanying notes and Accountants' Report*

Howell Town  
Statement of Net Assets - Proprietary Fund  
June 30, 2005

	<u>Enterprise Fund</u> <u>Water Utility</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 62,144
Receivables, net	<u>2,045</u>
Total current assets	64,189
Noncurrent assets:	
Capital assets (net of accumulated depreciation)	<u>211,075</u>
Total noncurrent assets	<u>211,075</u>
Total assets	<u>275,264</u>
LIABILITIES	
Current liabilities:	
Accounts payable	808
Current portion of long-term debt	6,549
Interfund payable	<u>10,000</u>
Total current liabilities	17,357
Noncurrent liabilities:	
Notes payable	<u>118,726</u>
Total noncurrent liabilities	<u>118,726</u>
Total liabilities	<u>136,083</u>
NET ASSETS	
Invested in capital assets, net of related debt	85,800
Unrestricted	<u>53,381</u>
Total net assets	<u>\$ 139,181</u>

See accompanying notes and Accountants' Report



Howell Town  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets - Propriety Fund  
For the Year Ended June 30, 2005

	<u>Enterprise Fund</u> <u>Water Utility</u>
Operating revenues:	
Charges for services	\$ 28,913
Total operating revenues	<u>28,913</u>
Operating expenses:	
Wages and benefits	3,485
Materials and supplies	8,981
Utilities	3,034
Depreciation	10,896
Miscellaneous	1,868
Total operating expenses	<u>28,264</u>
Operating income	<u>649</u>
Nonoperating revenues:	
Investment earnings	1,437
Interest expense	<u>(3,068)</u>
Total nonoperating revenues (expenses)	<u>(1,631)</u>
Change in net assets	(982)
Total net assets - beginning	217,400
Prior period adjustment	<u>(77,237)</u>
Total net assets - ending	<u>\$ 139,181</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended June 30, 2005**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Cash flows from operating activities:	
Receipts from customers	\$ 28,453
Payments to suppliers	(13,748)
Payments to employees	<u>(4,905)</u>
Net cash provided by operating activities	<u>9,800</u>
Cash flows from noncapital financing activities:	
Prior period adjustment	<u>(24,542)</u>
Net cash used in financing activities	<u>(24,542)</u>
Cash flows from capital and related financing activities:	
Principal payments on long term debt	(6,401)
Interest paid on long term debt	(3,068)
Interfund payment received (loan issued)	<u>10,000</u>
Net cash provided by capital and related financing activities	<u>531</u>
Cash flows from investing activities:	
Interest earnings	<u>1,437</u>
Net cash provided by investing activities	<u>1,437</u>
Net decrease in cash and cash equivalents	(12,774)
Cash and cash equivalents - beginning	<u>74,918</u>
Cash and cash equivalents - end	<u><u>\$ 62,144</u></u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Statement of Cash Flows - Proprietary Fund (Continued)**  
**For the Year Ended June 30, 2005**

	<u>Enterprise Fund</u> <u>Water Utility</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 649
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	10,895
Change in assets and liabilities:	
Receivables, net	(460)
Accounts and other payables	<u>(1,284)</u>
Net cash provided by operating activities	<u>\$ 9,800</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	<u>\$ 3,068</u>

*See accompanying notes and Accountants' Report*

**Howell Town**  
**Notes to Financial Statements**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The government of Howell, Utah, is governed by an elected mayor and four council members. As required by generally accepted accounting principles, these financial statements present the financial condition of the government. Howell, Utah, is not a component unit of any other entity, nor does it have any component units for which the government would be considered financially accountable.

B. Government-Wide and Fund Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or segment.

Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds. All individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

*See Accountant's Report*

Howell Town  
Notes to Financial Statements (Continued)  
June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statement, rather than reported as an expenditure.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The government has the following fund types:

**Governmental funds** are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable" and "available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers all revenues available if they are collected by year end. Expenditures are recorded when the related fund liability is incurred.

See Accountant's Report

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental funds include the following fund types:

The **general fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Proprietary funds** are accounted for on the flow of economic resources measurement focus and use of accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Enterprise funds** are used to account for those operations that are financed and operated in a manner similar to private business or where the Town has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Town has only one proprietary fund, the water utility fund, which delivers culinary water to citizens of the Town.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

*See Accountant's Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Assets, Liabilities and Equity

i. *Cash and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with the original maturities of three months or less from the date of acquisition. Currently the only investing is done with the State Treasurer's Investment Pool.

ii. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds," if they are not projected to be repaid within one year, and as "interfund receivable/payable" for amounts projected to be repaid within one year.

iii. *Capital Assets*

Capital assets used in governmental fund type operations are accounted for in the governmental activities column in the statement of net assets, but not in governmental funds. Governmental capital assets consisting of certain improvements other than buildings, including roads, bridges, streets, drainage systems and lighting systems placed in service prior to June 30, 2003, have not been capitalized.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible capital assets is charged as an expense against its operations in the government-wide financial statements and the proprietary fund financial statements. Accumulated depreciation is reported on the government-wide and proprietary fund statements of net assets.

*See Accountant's Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Buildings and improvements	10 - 50 years
Equipment	3 - 10 years

**E. Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budget and Budgetary Accounting**

The Town follows the budget and budgetary accounting procedures established by Utah law and described in the Uniform Accounting Manual for Utah Cities and Towns.

**G. Interfund Balances**

The interfund receivable and payable between the general and water fund in the amount of \$10,000 represents a short-term loan between the two funds. The interfund transaction is expected to be satisfied in the 2005 - 2006 fiscal year.

**NOTE 2. CASH AND INVESTMENTS**

The Town's carrying amount of deposits was \$88,418 and the bank balance was \$88,583. At year end, the entire amount was covered by Federal Depository Insurance.

Statutes authorize Howell Town to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Records and the State Treasurer's Investment Pool. Investments in the State Treasurer's Investment Pool are unrated for credit risk purposes.

*See Accountant's Report*



**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 2. CASH AND INVESTMENTS (Continued)**

Howell Town's investments at year end are shown below.

	<u>Carrying Amount</u>	<u>Market Value</u>
State Treasurer's Pool (Uninsured and unregistered)	\$ <u>123,500</u>	\$ <u>123,519</u>

**NOTE 3. CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

**Governmental Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 75,000	\$ -	\$ -	\$ 75,000
Equipment	<u>24,548</u>	<u>-</u>	<u>-</u>	<u>24,548</u>
Total capital assets being depreciated	<u>99,548</u>	<u>-</u>	<u>-</u>	<u>99,548</u>
Less accumulated depreciation:				
Buildings and improvements	75,000	-	-	75,000
Equipment	<u>15,568</u>	<u>2,994</u>	<u>-</u>	<u>18,562</u>
Total accumulated depreciation	<u>90,568</u>	<u>2,994</u>	<u>-</u>	<u>93,562</u>
Governmental activities				

*See Accountant's Report*

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 3. CAPITAL ASSETS (Continued)**

**Business-Type Activities**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 75,000	\$ -	\$ -	\$ 75,000
Equipment	<u>24,548</u>	<u>-</u>	<u>-</u>	<u>24,548</u>
Total capital assets being depreciated	<u>99,548</u>	<u>-</u>	<u>-</u>	<u>99,548</u>
Less accumulated depreciation:				
Buildings and improvements	75,000	-	-	75,000
Equipment	<u>15,568</u>	<u>2,994</u>	<u>-</u>	<u>18,562</u>
Total accumulated depreciation	<u>90,568</u>	<u>2,994</u>	<u>-</u>	<u>93,562</u>
Governmental activities capital assets - net	<u>\$ 8,980</u>	<u>\$ (2,994)</u>	<u>\$ -</u>	<u>\$ 5,986</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Culture and recreation	\$1,080
Highways and streets	<u>1,914</u>
Total depreciation expense - governmental activities	<u>\$ 2,994</u>

See Accountant's Report

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 4. LONG-TERM DEBT**

A. Proprietary Fund

*Note payable*

Long-term debt at June 30, 2005, consists of the following.  
This revenue bond is secured by the water utility revenues.

	Balance July 1, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2005</u>	<u>Current Portion</u>
State of Utah, Division of Finance, \$150,000 due in monthly installments of \$9,468 including interest at 2.33 percent.	\$131,675	\$ -	\$6,400	\$125,275	\$ 6,550
Total	\$ <u>131,675</u>	\$ <u>-</u>	\$ <u>6,400</u>	\$ <u>125,275</u>	\$ <u>6,550</u>

B. Debt Service Requirements

The debt service requirements, including interest and principal, for the proprietary fund's long-term debt at June 30, 2005, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 6,549	\$ 2,919	\$ 9,468
2007	6,702	2,766	9,468
2008	6,858	2,610	9,468
2009	7,018	2,450	9,468
2010	7,181	2,287	9,468
2011-2015	38,496	8,845	47,341
2016-2020	43,195	4,147	47,342
2021	<u>9,276</u>	<u>216</u>	<u>9,492</u>
	\$ <u>125,275</u>	\$ <u>26,240</u>	\$ <u>151,515</u>

See Accountant's Report

**Howell Town**  
**Notes to Financial Statements (Continued)**  
**June 30, 2005**

**NOTE 5. RESTRICTED FUND BALANCE**

The fund balance has been restricted for the following purpose:

Restricted for B&C roads - money received from the State of Utah road fund allotment to be used for future maintenance of the Town's road network.

**NOTE 6. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. This policy meets the criteria of GASB.

**NOTE 7. RISK MANAGEMENT**

Howell Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees and natural disasters. All general liability, real property and all vehicles, including heavy equipment, are insured through Utah Local Government Trust. Injuries to employees are insured through Utah Local Government Trust. Settled claims have not exceeded the Town's insurance. For insured programs, there have been no significant reductions in insurance coverage.

**NOTE 8. PRIOR PERIOD ADJUSTMENT**

During the current fiscal year, the Town realized the allocation of pooled cash in the checking account needed to be adjusted between the general fund and water fund. The adjustment resulted from the purchase of a new well in a prior year and the payment on the loan to the state of Utah for the well purchase.

The amount of \$77,237 is shown as a prior period adjustment in both the general and water funds to reallocate the pooled cash amounts to the proper funds.

*See Accountant's Report*

**REQUIRED SUPPLEMENTARY INFORMATION**

**Howell Town**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 25,700	\$ 25,700	\$ 20,201	\$ (5,499)
Licenses and permits	1,500	1,500	1,892	392
Charges for service	4,000	4,000	3,400	(600)
Intergovernmental	45,030	45,030	43,883	(1,147)
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>200</u>	<u>(1,800)</u>
Total revenues	<u>78,230</u>	<u>78,230</u>	<u>69,576</u>	<u>(8,654)</u>
Expenditures:				
General government	21,300	21,300	20,505	795
Culture and recreation	9,000	9,000	667	8,333
Highways and streets	<u>40,000</u>	<u>40,000</u>	<u>23,767</u>	<u>16,233</u>
Total expenditures	70,300	70,300	44,939	25,361
Excess (deficiency) of revenues over expenditures	<u>7,930</u>	<u>7,930</u>	<u>24,637</u>	<u>16,707</u>
Fund balance at beginning of year	52,926	52,926	52,926	-
Prior period adjustment	<u>77,237</u>	<u>77,237</u>	<u>77,237</u>	-
Fund balance at end of year	<u>\$138,093</u>	<u>\$138,093</u>	<u>\$154,800</u>	<u>\$ 16,707</u>

See Accountants' Report